
FYI-106

New Mexico
Taxation and Revenue Department

FOR YOUR INFORMATION

Tax Information/Policy Office ♦ P.O. Box 630 ♦ Santa Fe, New Mexico 87504-0630

Claiming Tax Credits for CRS Taxes and Business-Related Income

New Mexico offers certain business-related tax credits to corporations and individuals who meet the requirements. Credits apply to the Combined Report System (CRS) gross receipts, compensating and withholding taxes and to annual corporate and personal income taxes. This publication summarizes New Mexico's business-related tax credits and the procedures for claiming them.

Please note that some credits have limited eligibility dates. The Department cannot consider claims for periods prior to dates stated in the legislation or claims that are filed after the deadline has passed.

For more detailed information on a particular credit, please consult the credit forms listed and statutes cited. The summary is accurate as of the revision date below. Taxpayers should be aware that subsequent legislation, regulations, court decisions, revenue rulings, notices and announcements may affect the summary's accuracy.

The taxpayer may apply credits only to tax liabilities designated by law. Some credits are refundable or transferable:

- **Non-refundable** - credit against existing tax liabilities only. An excess often can be carried forward;
- **Refundable** - credit that may be refunded under certain circumstances; and
- **Transferable** - credit that may be sold or exchanged as a business asset.

For additional technical information, please call (505) 827-1746.

For New Mexico state agencies' contact information regarding tax credits, see pages 38-39.

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Tax Programs Credit Summary Table

Tax Credit	Gross Receipts Tax (CRS-1)	GRT excluding local option GRT (CRS-1)	Compensating Tax (CRS-1)	Withholding Tax (CRS-1)	Personal Income Tax	Corporate Income Tax (CIT-1 and S-Corp)
Advanced Energy	X		X	X	PIT-1, FID	X
Affordable Housing ** ***		X	X	X	PIT-1, FID	X
Agricultural Biomass					PIT-1, FID	X
Agricultural Water Conservation Expenses					PIT-1, FID	X
Alternative Energy Product Manufacturers ** ***		X	X	X		
Biodiesel Blending Facility	X		X			
Blended Biodiesel Fuel					PIT-1, FID	X
Business Facility Rehabilitation					PIT-1, FID	X
Cancer Clinical Trial					PIT-1, FID	
Corporate-Supported Child Care						X
Cultural Property Preservation					PIT-1, FID	X
Electronic Card-Reading Equipment					PIT-1, FID	X
Film Production					PIT-1, FID	X
Geothermal Heat Pump					PIT-1, FID	X
High-Wage Jobs **		X	X	X		
Hospitals Gross Receipts Tax	X					
Intergovernmental Business						X
Investment Credit *		X	X	X		
Job Mentorship					PIT-1, FID	X
Laboratory Partnership with Small Business (National Laboratories)		X				
Land Conservation ***					PIT-1, FID	X
Renewable Energy Production					PIT-1, FID	X
Research and Development Small Business	X			X (CRS only)		
Rural Health Care Practitioner					PIT-1, FID	
Rural Job ***		X	X	X	PIT-1, FID	X
Services for Resale	X					
Solar Market Development					PIT-1, FID	

Tax Programs Credit Summary Table Cont.

Tax Credit	Gross Receipts Tax (CRS-1)	GRT excluding local option GRT (CRS-1)	Compensating Tax (CRS-1)	Withholding Tax (CRS-1)	Personal Income Tax	Corporate Income Tax (CIT-1 and S-Corp)
Sustainable Building					PIT-1, FID	X
Technology Jobs (Basic) ***	X		X	X		
Technology Jobs (Additional)					PIT-1, FID	X
Unpaid Doctor Services	X					
Veteran Employment					PIT-1, FID	X

* Credit is limited to 85% of taxes due in a report period.

** Also applies to Interstate Telecommunications GRT, 911 Emergency Surcharge and Telecommunications Relay Surcharge.

*** Credit may be claimed either by a PTE or by the owners of a PTE, but not by both parties.

This publication provides general information on business tax credits to include: credit name, statutory reference¹, applicable tax programs², whether the credit is refundable and/or transferable, credit description, application process (if applicable) and credit claim process.

CONSERVATION AND PRESERVATION TAX CREDITS

Advanced Energy Tax Credit

- Other Tax Credits Act, Section 7-9G-2; Income Tax Act, Section 7-2-18.25; Corporate Income and Franchise Tax Act, Section 7-2A-25
- For **CRS**, **PIT**, and **CIT** taxpayers and owners of **PTE's**
- Non-refundable
- Also found under Industry Incentive Tax Credits--Specific Industry in this publication

A taxpayer that holds an interest in a qualified electric generating facility may qualify to claim the advanced energy combined reporting tax credit against its gross receipts tax, compensating tax, withholding tax, personal income tax or corporate income tax liability. If the credit amount exceeds the taxpayer's liability, the excess can be carried forward for up to 10 years. The amount of the credit is 6% of expenditures for the development and construction of a qualified new solar thermal electric generating facility, a geothermal electric generating facility, or a solar photovoltaic electric generating facility that may include an associated or renewable energy storage facility or recycled energy project **OR** 6% of expenditures for the development and construction of a qualified new or re-powered coal-based electric generating unit and an associated coal gasification facility. Qualified facilities must begin construction no later than December 31, 2015. The aggregate amount of all advanced energy combined reporting tax credits claimed with respect to a qualified facility may not exceed \$60,000,000. Expenditures for which a taxpayer claims a credit are ineligible for credits under the Investment Credit Act or any other credit against personal income tax, corporate income tax, compensating tax, gross receipts tax or withholding tax.

NOTES:

(1) If the electric generating facility does not sequester or control CO₂ emissions as required, the certification shall be revoked and the taxpayer may be required to repay all or a portion of the amount of the credit taken against taxes owed.

(2) An advanced energy deduction from gross receipts tax and compensating tax is available for eligible generation plant costs to a person holding an interest in a qualified generating facility (Section 7-9-114 NMSA 1978). These deductions may not be claimed for the same qualified expenses for which the advanced energy tax credit was claimed. For more information on applying for these credits see Form RPD-41349 available on TRD's web site.

How to apply for the credit:

The electric generating facility and the claimant must apply for a certificate of eligibility from the New Mexico Environment Department (NMED) to obtain approval to claim the advanced energy tax credit. The NMED determines if the facility is a qualified generating facility and issues a certificate within 180 days after receiving all information necessary to determine eligibility.

Once the certificate of eligibility is issued by the NMED, the claimant may submit a completed Form RPD-41333, *Advanced Energy Tax Credit Application*, to the Taxation and Revenue Department (TRD) for approval. The NMED's certificate of eligibility must be attached to the

¹ All statutory references are to New Mexico Statutes Annotated (NMSA) 1978.

² Combined Report System (CRS); Corporate Income Tax (CIT); S Corporate Income Tax (S-Corp); Personal Income Tax (PIT); Emergency 911 Service Surcharge (E911); Telecommunications Relay Service Surcharge (TRS).

application, along with the certificate showing the claimants interest in the qualified generating facility, and information required to determine the amount of tax credit allowed to the claimant. The application must be submitted within one year following the end of the calendar year in which the eligible generation plant costs are incurred. TRD will issue an approval for the credit.

How to claim the credit:

Once approved by TRD, the claimant may apply all or part of the credit against gross receipts, compensating or withholding tax due. The credit may also be claimed against personal or corporate income tax due. Attach a completed Form RPD-41334, *Advanced Energy Tax Credit Claim Form*, to the CRS-1 Long Form, PIT-1, CIT-1, S-Corp or FID returns to which you wish to apply the credit.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the advanced energy tax credit. To allocate the right to claim the credit to the pass-through entity owners, the PTE must complete the *Notice of Allocation of Right to Claim Advanced Energy Tax Credits*, and attach it to Form RPD-41333, *Advanced Energy Tax Credit Application*. Proof that the transferee is eligible for the credit as a taxpayer holding an interest in the qualified generating facility is required.

Agricultural Water Conservation Tax Credit

- Income Tax Act, Section 7-2-18.20 and Corporate Income and Franchise Tax Act, Section 7-2A-22
- For **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable

Corporate and personal income tax credits are allowed for agricultural water conservation expenses. Agricultural water conservation expenses are expenses incurred by the taxpayer for eligible improvements in irrigation systems or water management methods. The expenses must be made on or after January 1, 2008; comply with a water conservation plan approved by the local soil and water conservation district in which the improvement is located; and be primarily designed to substantially conserve water on land in New Mexico that is owned or leased by the taxpayer and used by the taxpayer or that taxpayer's lessee to produce agricultural products, harvest or grow trees, or sustain livestock. The credit may be claimed for the taxable year in which the expenses are incurred if the taxpayer: 1) in that year, owned or leased a water right appurtenant to the land on which an eligible improvement was made; 2) filed a New Mexico income tax return for that year; 3) in that year, was not a dependent of another individual; and 4) did not and will not take a tax credit for the same expense on a corporate and a personal income tax return. The credit amount is 35% of eligible expenses incurred in calendar year 2008, and 50% of expenses in subsequent years through December 31, 2012. The credits are limited to a maximum of \$10,000 per year per taxpayer. ***These agricultural water conservation tax credit provisions are repealed, effective January 1, 2013.***

How to claim the credit:

To apply for the agricultural water conservation tax credit, a taxpayer must obtain an application package from the Soil and Water Conservation District which encompasses the land upon which the applicant is claiming that an eligible improvement has occurred. To find a local Soil and Water Conservation District, a taxpayer may visit www.nmda.nmsu.edu/natural-resources/soil-and-water-conservation-program, or call (575) 646-2642.

Once the application is approved, the district will issue a certificate of eligibility. If more than one owner, partner or member is entitled to the credit, each owner, partner or member will receive a separate certificate of eligibility. Upon receipt of a certificate of eligibility, the owner, partner or member may claim the credit against their personal or corporate income tax by attaching a

completed Form RPD-41319, *Agricultural Water Conservation Tax Credit Claim Form*, and a copy of the certificate of eligibility to the tax return for the tax year in which the credit is approved. If the amount of the credit exceeds the tax due, the owner, partner or member may carry the excess forward for not more than five consecutive tax years.

Allocation to pass-through entity owners:

To allocate the right to claim the credit to the pass-through entity owners, each owner, partner, or member must be issued a separate certificate of eligibility.

Alternative Energy Product Manufacturers Tax Credit

- Alternative Energy Product Manufacturers Tax Credit Act, Sections 7-9J-1 through 7-9J-8
- For **CRS**, **E911** and **TRS** taxpayers and **PTE's**
- Non-refundable

Manufacturers of certain alternative energy products may receive a tax credit not to exceed 5% of qualified expenditures for manufacturing equipment used in the manufacturing operation. The credit may be applied against the manufacturers' gross receipts tax (less local option gross receipts taxes), compensating tax, withholding tax, E911 and TRS tax liabilities. Alternative energy product means an alternative energy vehicle, fuel cell system, renewable energy system or any component of an alternative energy vehicle, fuel cell system or renewable energy system or components for integrated gasification combined cycle coal facilities and equipment related to the sequestration of carbon from integrated gasification combined cycle plants. If the amount of the credit exceeds a taxpayer's liability, the excess can be carried forward for up to five years. For tax years 2011 through 2019, this credit also is offered to producers of photosynthetic organism-based fuels or other products directly secreted by, or extracted from a single-cell photosynthetic organism.

To be eligible to claim a credit, the taxpayer shall employ at least one new full-time employee for every \$500,000 of expenditures up to \$30 million, and at least one new full-time employee for every \$1 million of expenditures over \$30 million. If a taxpayer ceases operations at a facility for at least 180 days within a two-year period after claiming credits, no additional credits will be granted with regard to that facility. Amounts of credit approved, but not yet claimed, will be extinguished and the taxpayer will owe the amount of tax that the claimed credits had offset. For purposes of a recapture of this credit, having ceased operations does not include reasonable periods for maintenance or retooling, for the repair or replacement of facilities damaged or destroyed or during labor disputes.

How to apply for the credit:

Submit a completed Form RPD-41330, *Application for Alternative Energy Product Manufacturers Tax Credit*, and *Schedule A* to TRD for approval. Include all required supporting documentation. You must apply for the alternative energy product manufacturers tax credit on or before the last day of the year following the end of the calendar year in which the qualified expenditure is made.

How to claim the credit:

Once the approval has been received from TRD, attach a completed Form RPD-41331, *Alternative Energy Product Manufacturers Tax Credit Claim Form*, to the return(s) to which you wish to apply the credit. Excess credit can be carried forward for up to five years.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) or an owner may claim the alternative energy product manufacturer's tax credit. To allocate the right to claim the credit to the pass-through entity owners, each owner, partner, or member a PTE must file Form RPD-41364, *Notice of*

Distribution of Alternative Energy Product Manufacturers Tax Credit, to report to the Department (TRD) a transfer of approved alternative energy product manufacturers tax credit from a pass-through entity (PTE) to an owner, member or partner.

Biodiesel Blending Facility Tax Credit

- Gross Receipts and Compensating Tax Act, Section 7-9-79.2
- For **CRS** taxpayers
- Non-refundable
- Also found under Industry Incentive Tax Credits--Specific Industry in this publication

A taxpayer who is a rack operator as defined in the Special Fuels Supplier Tax Act, who installs biodiesel blending equipment owned by the rack operator for the purpose of establishing or expanding a facility to produce blended biodiesel fuel is eligible to claim a gross receipts tax and compensating tax credit. The rack operator must be registered with TRD and filing Form RPD-41307, *Rack Operator Report*, to qualify. The credit is equal to 30% of the cost of purchasing and installing biodiesel blending equipment. The rack operator must obtain a dated certificate of eligibility from New Mexico Energy, Minerals and Natural Resources Department (EMNRD) to apply for this credit. The credit cannot exceed \$50,000 for equipment installed at one facility. Excess biodiesel blending facility tax credit may be carried forward for four years from the date of the certificate of eligibility issued by EMNRD.

If a credit claimant ceases biodiesel blending without completing at least 180 days of availability of the facility within the first 365 days of issuance of the certificate of eligibility, the taxpayer must notify TRD that they are no longer eligible for the approved credit and any amount of approved credit not applied will be extinguished. Taxpayers must file amended returns and self-assess the tax owed and return any tax credit received within 425 days of the date of issuance of the certificate.

How to apply for the credit:

A taxpayer must first apply to EMNRD who shall determine if the equipment for which the tax credit will be claimed meets the requirements; and if purchase and installation costs reported by the taxpayer are legitimate. If approved EMNRD will issue a dated certificate of eligibility containing an estimate of the amount of the biodiesel blending facility tax credit for which the taxpayer is eligible.

Upon receipt of the certificate of eligibility received from EMNRD, the taxpayer submits a completed Form RPD-41339, *Biodiesel Blending Facility Tax Credit Approval Request Form*, and the certificate of eligibility to TRD. After TRD approves the credit the taxpayer may begin to claim the credit. TRD may not approve biodiesel blending facility tax credits if the total cumulative amount of claims for the credit for all taxpayers for the calendar year exceeds \$1,000,000. Requests for credit approval that exceed the maximum allowed in a calendar year may be considered for approval in the next calendar year.

How to claim the credit:

Once you are notified that you are approved for the credit by TRD, complete Form RPD-41321, *Biodiesel Blending Facility Tax Credit Claim Form*, and submit it along with the CRS-1 Long Form for the report period to which you wish to apply the credit.

Blended Biodiesel Fuel Tax Credit

- Income Tax Act, Section 7-2-18.21 and Corporate Income and Franchise Tax Act, Section 7-2A-23
- For **PIT** and **CIT** taxpayers and owners of **PTE's**

- Non-refundable

Beginning January 1, 2007, but not after December 31, 2012, a taxpayer who is required to pay the special fuel excise tax and who files a New Mexico personal or corporate income tax return may claim a credit against the income tax due on the return for each gallon of blended biodiesel fuel on which that person paid the special fuel excise tax in the taxable year, or who would have paid the special fuel excise tax in the tax year but for certain deductions allowed for special fuel sold pursuant to Subsections B through F of Section 7-16A-10, or the treaty exemption for North Atlantic Treaty Organization use. For purposes of this credit "biodiesel" means renewable, biodegradable, monoalkyl ester combustible liquid fuel that is derived from agricultural plant oils or animal fats and meets the American society for testing and materials D 6751 standard specification for biodiesel B100 blend stock for distillate fuels. Blended biodiesel fuel eligible for this tax credit is fuel containing at least 2% biodiesel. To qualify, the taxpayer must be a registered New Mexico supplier who files Form RPD-41306, *Combined Fuel Tax Report*, reporting qualifying biodiesel fuel receipts. Unused blended biodiesel fuel tax credit may be carried forward for five years from the date eligibility was granted.

The income tax credits are allowed in the following amount for each gallon of fuel on which special fuel excise tax was paid:

- \$0.03 per gallon from January 1, 2007 until December 31, 2010;
- \$0.02 per gallon from January 1, 2011 until December 31, 2011; and
- \$0.01 per gallon from January 1, 2012 until December 31, 2012.

How to apply for the credit:

To apply, complete Form RPD-41322, *Blended Biodiesel Fuel Tax Credit Application*, and submit to TRD.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the blended biodiesel fuel tax credit. Allocate the right to claim the credit to the pass-through entity owners, partners, or members, on Form RPD-41322, *Blended Biodiesel Fuel Tax Credit Application*, by completing the section on division of the total credit.

How to claim the credit:

Once approval is granted for eligibility for this credit from TRD, complete Form RPD-41340, *Blended Biodiesel Fuel Tax Credit Claim Form*, to claim the credit against personal or corporate income tax liabilities. Attach the claim form to your income tax return.

Cultural Property Preservation Credit

- Income Tax Act, Section 7-2-18.2 and Corporate Income and Franchise Tax Act, Section 7-2A-8.6
- For **CIT** and **PIT** taxpayers and owners of **PTE's**
- Non-refundable

Taxpayers may take this credit on corporate or personal income tax returns for restoring, rehabilitating or preserving properties listed on the New Mexico Register of Cultural Properties. The Cultural Properties Review Committee must approve the project plan before the restoration begins and certify that the completed project conforms to the plan. The maximum credit is 50% of the costs of restoration, rehabilitation or preservation up to \$25,000 for any single property. For tax years beginning on or after January 1, 2009, if the property is also located in an arts and cultural district certified by the state or a municipality pursuant to the Arts and Cultural District Act, a maximum of \$50,000 credit is allowed on the same property. Taxpayers may carry unused amounts forward for four years. Taxpayers can claim a credit for each year in which

preservation is carried out, to a maximum of three years. The credits can be deducted from liability, and any excess can be carried forward for up to four years.

Contact the Historic Preservation Division for information on obtaining certification for the project, and the State Coordinator of New Mexico Arts and Cultural Districts, for information regarding property located in an arts and cultural district certified by the state or a municipality pursuant to the Arts and Cultural District Act.

How to claim the credit:

Corporations, complete Form CIT-4, *New Mexico Preservation of Cultural Properties Credit*, and attach it to your CIT-1 return along with Part 2 approval from the New Mexico Cultural properties Review Committee, and a schedule of carry-forward amounts. Mail to the address on your income tax return.

Individuals, complete Form PIT-4, *New Mexico Preservation of Cultural Properties Credit*, and attach it to your CIT-1 return along with Part 2 approval from the New Mexico Cultural properties Review Committee, and a schedule of carry-forward amounts. A married couple filing separate returns may each claim half the amount allowed for a joint return. Mail to the address on your income tax return.

Owners of pass-through entities may claim the credit on their personal or corporate income tax returns. Each owner of the pass-through entity that claims the credit must supply a schedule of the names, addresses, social security numbers or federal employer identification numbers, and the pro rata credit amounts of all other shareholders. If the pass-through entity has a New Mexico CRS identification number, the number must appear on the individual shareholder's income tax credit claim schedule. The combined pro rata credit may not exceed the amount of credit approved for the project.

Land Conservation Incentives Tax Credit

- Income Tax Act, Section 7-2-18.10 and Corporate Income and Franchise Tax Act, Section 7-2A-8.9
- For **CIT** and **PIT** taxpayers, and owners of **PTE's**
- Non-refundable and Transferable

Beginning in tax year 2004, persons who donate land to private-nonprofit or public conservation agencies for conservation purposes may receive personal or corporate income tax credit of up to \$100,000. The Energy, Minerals and Natural Resources Department (EMNRD) certifies donations for eligibility when the purpose is for open space, natural resource or biodiversity conservation, agricultural preservation, or watershed or historic preservation, *and* the donation is unconditional and in perpetuity. The credit equal 50% of the fair market value of the land transferred up to \$100,000 for donations made prior to January 1, 2008, and \$250,000 for donations made after January 1, 2008. Additionally for a donation made after January 1, 2008, the credit may be sold, exchanged or transferred in increments of \$10,000 or more. Appraisers must qualify to appraise property under federal laws governing charitable contributions. The taxpayer or holder of a transferred credit may carry the unused credit forward for 20 consecutive tax years following the tax year in which the original qualified donation occurred. A tax credit or increment of the credit may only be sold, exchanged or transferred once.

How to apply for the credit:

Contact EMNRD's Forestry Division for certifying the eligibility of the donation. Once the certificate of eligibility is received from EMNRD, complete Form RPD-41335, *Land Conservation Incentives Tax Credit Application*, and submit to TRD with a copy of the certificate of eligibility.

Allocation to pass-through entity owners:

An owner of a Pass-Through Entity (PTE) may claim the land conservation incentives tax credit. To allocate the credit to the PTE owners, the PTE must file Form RPD-41336, *Notice of Transfer of Land Conservation Incentives Tax Credit*, to report to TRD a transfer of approved credit from a PTE to an owner, member or partner.

How to claim the credit:

Corporations, once approval is received from TRD, attach Form RPD-41282, *Land Conservation Incentives Tax Credit Claim Form*, to your completed Form CIT-1 and mail to the address on the tax return.

Individuals, once approval is received from TRD, attach Form RPD-41282, *Land Conservation Incentives Tax Credit Claim Form*, to your completed Form PIT-1 and mail to the address on the tax return.

Transfer:

For a donation made after January 1, 2008, the credit may be sold, exchanged or transferred in increments of \$10,000 or more. A credit issued must be transferred through a qualified intermediary. Within 10 days of the transfer, the taxpayer must complete and notarize Form RPD-41336, *Notice of Transfer of Land Conservation Incentives Tax Credit*, notifying TRD of the transfer. Mail the notice to the address on the form.

Renewable Energy Production Tax Credit

- Income Tax Act, Section 7-2-18.18 and Corporate Income and Franchise Tax Act, Section 7-2A-19
- For **CIT** and **PIT** taxpayers and owners of **PTE's**
- Refundable

Corporate income taxpayers and personal income taxpayers receive credit for producing electricity by solar light or heat, wind or biomass at a penny per kilowatt-hour up to 400,000 megawatt (MWh)-hours yearly per taxpayer for 10 years. The credit is allowed only for facilities that first produce electricity before January 1, 2018. The total amount of electricity that can qualify for the credit is two million MWh, plus an additional 500,000 MWh for solar facilities. The definition of "biomass" was amended by the 2007 New Mexico Legislature to include a variety of organic materials that are available on a renewable basis, including landfill gas and municipal solid waste.

For a qualified energy generator using a wind- or biomass-derived qualified energy resource, the amount of tax credit is the lesser of \$.01 per kilowatt-hour of the first 400,000 megawatt-hours of electricity produced by the qualified energy generator in the tax year or the estimated annual production potential of the generating facility as determined by the Energy, Minerals and Natural Resources Department (EMNRD). For a qualified energy generator using a solar-light-derived or solar-heat-derived qualified energy resource, the amount of tax credit varies based on the tax year following the date the generator first produces electricity using the qualified energy resource. The credit rate starts at 1.5 cents in the first year of operation and increases in increments of ½ cent each of the next five years, to a maximum of four cents; the rate then will decline by ½ cent per year in the next four years to two cents in the tenth year of operation.

To qualify, the taxpayer must either hold title to a qualified energy generator or lease from a county or municipality, under authority of an industrial revenue bond, the property on which the generator operates. A taxpayer with at least a 5% interest in a qualifying energy-generating business may be allocated all or part of the right to claim the credit, but only if the business is taxed federally as a partnership and EMNRD has approved the allocation. A qualifying energy

generator means a facility with at least one megawatt generating capacity located in New Mexico that produces electricity using a qualified energy resource and that sells that electricity to an unrelated person.

This credit, effective from the original date of application, continues until the facility either goes out of production for more than six consecutive months or its 10-year eligibility expires. The corporation may carry excess credit forward for five consecutive tax years. The credit may be refunded if the qualified energy generator first produced electricity after October 1, 2007.

To obtain a certificate of eligibility and an allocation notice of the right to claim all or a portion of the renewable energy production tax credit, contact the Energy Conservation and Management Division of EMNRD.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the renewable energy production tax credit.

Allocate the right to claim the credit to the pass-through entity owners, partners, or members, by completing the EMNRD allocation notice, and submit it to EMNRD for approval. Each owner, partner or member will receive a certificate for approval.

How to claim the credit:

Corporations, upon receipt of the certificate of eligibility and, if applicable, the allocation notice approved by EMNRD, the credit can be claimed against corporate income tax due. Attach to the CIT-1 return to which you wish to claim the credit, a completed Form RPD-41227, the certificate of eligibility, the allocation notice (if applicable) and documentation of the amount of electricity produced by the facility in the tax year. TRD may require additional information to verify eligibility.

Individuals, upon receipt of the certificate of eligibility and, if applicable, the allocation notice approved by EMNRD, the credit can be claimed against personal income tax due. Attach to the PIT-1 return to which you wish to claim the credit, a completed Form RPD-41227, the certificate of eligibility, the allocation notice (if applicable) and documentation of the amount of electricity produced by the facility in the tax year. TRD may require additional information to verify eligibility.

Owners of pass-through entities, upon receipt of the certificate of eligibility and, if applicable, the allocation notice approved by EMNRD, the credit can be claimed against corporate income tax only. Attach to the income tax return to which you wish to claim the credit, a completed Form RPD-41227, the certificate of eligibility, the allocation notice (if applicable) and documentation of the amount of electricity produced by the facility in the tax year. TRD may require additional information to verify eligibility.

Solar Market Development Tax Credit

- Income Tax Act, Section 7-2-18.14
- For **PIT** taxpayers
- Non-refundable

Taxpayers who file a New Mexico personal income tax return for a tax year beginning on or after January 1, 2006, and who purchase and install after that date but before December 31, 2016, a solar thermal system or a photovoltaic system in a residence, business or agricultural enterprise in New Mexico *owned by that taxpayer* may apply for a solar market development tax credit of up to 10 percent of the purchase and installation cost of the system. The total solar market development tax credit cannot exceed \$9,000 per system, and the system must be approved by the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) in

advance. A taxpayer may carry forward an unused portion of the credit for up to 10 consecutive tax years following the tax year in which the credit originates.

Only the owner of the building is eligible to claim the credit. A pass-through entity (PTE) may not pass the credit to its owners, partners or members, because the owners, partners or members do not directly own the building owned by a PTE.

How to apply for the credit:

Contact the Energy Conservation and Management Division of EMNRD by calling (505) 476-3318 or visit their website at www.cleanenergynm.org. EMNRD is responsible for certifying the solar thermal system or photovoltaic system and approving the credit amount allowed. If your application is approved, EMNRD will mail an approval letter to you and a copy to TRD.

How to claim the credit:

Once approved by EMNRD, attach a completed Form RPD-41317, *Solar Market Development Income Tax Credit Claim Form*, and a copy of the approval letter from EMNRD to the PIT-1 return to which you wish to claim the credit. Include Schedule A, if you have unused solar market development tax credit available for carry forward from prior years.

Sustainable Building Tax Credit

- Income Tax Act, Section 7-2-18.19 and Corporate Income and Franchise Tax Act, Section 7-2A-21
- For **CIT** and **PIT** taxpayers and owners of **PTE's**
- Non-refundable, Transferable
- Available only until December 31, 2016

Corporate income taxpayers and personal income taxpayers may claim tax credits for investments in constructing or renovating sustainable residential or commercial buildings that meet specific “green” building standards. The sustainable building tax credit is also available for the permanent installation of manufactured housing, regardless of where the housing is manufactured. The tax credit can be claimed by the owner of the building at the time it is certified as a sustainable building or by a subsequent owner, if no credit has already been claimed. The rate of the credit ranges from \$0.30 up to \$9.00 per square foot and varies with the type of building, the total qualified occupied square footage of the building and the degree of energy efficiency incorporated in the building.

Owners of qualified multifamily residential buildings may apply for a portion of the sustainable building tax credits allocated for sustainable commercial buildings. Tax credits allocated for sustainable commercial buildings can be used for multifamily residential buildings when the entire amount of the \$5 million in sustainable building tax credits available for residential buildings has been allocated, and if any portion of the \$5 million in sustainable building tax credits available for commercial buildings remains.

Effective January 1, 2014, the total amount of sustainable building tax credit certificates issued by EMNRD in any calendar year shall not exceed an aggregate amount of \$1 million with respect to sustainable commercial buildings and an aggregate amount of \$4 million with respect to sustainable residential buildings; provided that no more than \$1.25 million of the aggregate amount with respect to sustainable residential buildings shall be for manufactured housing.

How to apply for the credit:

A taxpayer must apply for certification of eligibility for the sustainable building tax credit to the Energy Conservation and Management Division of EMNRD. EMNRD determines whether the

building meets the requirements as a sustainable residential or commercial building and determines the certification level for the building. Once the certificate is issued, the owner must promptly complete Form RPD-41327, *Sustainable Building Tax Credit Approval*, and submit the form to TRD with a copy of the certificate of eligibility.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the sustainable building tax credit. To allocate the credit to the pass-through entity owners, you may complete a Form RPD-41327, *Sustainable Building Tax Credit Approval*, for each owner, partner, or member. If the approval has been received by TRD, you may complete Form RPD-41342, *Notice of Transfer of Sustainable Building Tax Credit*, to report to TRD, a transfer of approved credit from a PTE to the owners, partners or members.

How to claim the credit:

Upon receipt of the approval from TRD, the claimant must complete Form RPD-41329, *Sustainable Building Tax Credit Claim Form*, and submit it along with the tax return for which you wish to apply the credit.

Transfer:

After the TRD approval has been received, the credit may be sold, exchanged or transferred. Within 10 days of the transfer, the owner must complete Form RPD-41342, *Notice of Transfer of Sustainable Building Tax Credit*, notifying TRD of the transfer. TRD will issue the new holder an approval for the credit transfer.

Geothermal Heat Pump Tax Credit

- Income Tax Act, Section 7-2-18.24; Corporate Income and Franchise Tax Act, Section 7-2A-24
- For **PIT** and **CIT** taxpayers
- Non-refundable

A taxpayer who files a New Mexico personal income tax return or corporate income tax return for a tax year beginning on, or after, January 1, 2010, and purchases and installs, after January 1, 2010, but before December 31, 2020, a geothermal ground-coupled heat pump in a residence, business or agricultural enterprise in New Mexico owned by that taxpayer may apply for a tax credit of up to 30 percent of the purchase and installation costs of the system. The total geothermal ground-coupled heat pump tax credit allowed to a taxpayer cannot exceed \$9,000. The Department must allow a geothermal ground-coupled heat pump tax credit only for geothermal ground-coupled heat pumps certified the Energy, Minerals and Natural Resources Department (EMNRD).

A portion of the credit that remains unused in a tax year may be carried forward for a maximum of 10 consecutive tax years following the tax year in which the credit originates until the credit is fully expended.

Only the owner of the building is eligible to claim the credit. A pass-through entity (PTE) may not pass the credit to its owners, partners or members, because the owners, partners or members do not directly own the building owned by a PTE.

A maximum annual aggregate of \$2 million in geothermal ground-coupled heat pump tax credits is allowed.

A geothermal ground-coupled heat pump is a system that uses energy from the ground, water or, ultimately, the sun for distribution of heating, cooling or domestic hot water; that has either

a minimum coefficient ratio of sixteen or greater; and that is installed by an accredited installer certified by the international ground source heat pump association.

How to apply for the credit:

A qualified taxpayer must apply with EMNRD to obtain a certificate. If you have further questions, you may call (505) 476-3372.

How to claim the credit:

Corporations, once approval is received from EMNRD, attach Form RPD-41346, *Geothermal Ground-coupled Heat Pump Tax Credit Claim Form*, to your completed Form CIT-1 and mail to the address on the tax return.

Individuals, once approval is received from EMNRD, attach Form attach Form RPD-41346, *Geothermal Ground-coupled Heat Pump Tax Credit Claim Form*, to your completed Form PIT-1 and mail to the address on the tax return.

INDUSTRY INCENTIVE TAX CREDITS GENERAL INDUSTRY

Business Facility Rehabilitation Tax Credit

- Income Tax Act, Section 7-2-18.4 and Corporate Income and Franchise Tax Act, Section 7-2A-15
- For **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable

A corporation or individual who restores, renovates or rehabilitates a qualified business facility in an enterprise zone may receive credit on income tax owed to New Mexico. A qualified business facility is a building vacant for at least 24 months and intended to be put into use by a person in the manufacturing, distribution or service industries. The credit equals 50% of the project cost with a cap of \$50,000 for each project and a carry-forward provision for four consecutive tax years. An enterprise zone is a distressed area identified as such by a New Mexico county, municipality or Indian reservation, by a combination of any two, or by all three.

NOTE: If the taxpayer claims a credit for costs of cultural property rehabilitation or preservation under Section 7-2-18.2 (see page 9), or for qualifying costs under the Investment Credit Act, Section 7-9A-1 (see page 18), this credit cannot be claimed.

Approval of the project and its plans and specifications must come from the New Mexico Economic Development Department before beginning the project. At its conclusion, the New Mexico Enterprise Zone program officer must certify conformity to plans and specifications.

NOTE: The Business Facility Rehabilitation Tax Credit is not currently available. The credit was enacted in 1994 to administer the Federal Enterprise Zone Program supporting the renovation and rehabilitation of damaged or destroyed structures in community areas designated as enterprise zones. However, the Federal Enterprise Zone Program has been discontinued and, after 2006, the New Mexico EDD has listed the New Mexico Enterprise Zone Program as an inactive program. For more information on building revitalization programs in New Mexico, contact the New Mexico EDD at (505) 827-0300.

How to claim the credit:

Corporations complete and submit Form CIT-5, *New Mexico Qualified Business Facility Rehabilitation Credit*, with your CIT-1 return along with the certificate of completion issued by

the New Mexico Enterprise Zone program officer to the address on your income tax return.

Individuals complete and submit Form PIT-5, *New Mexico Qualified Business Facility Rehabilitation Credit*, with your PIT-1 return along with the certificate of completion issued by the New Mexico Enterprise Zone program officer to the address on your income tax return.

Owners of pass-through entities may claim the credit on their personal or corporate income tax returns. Each owner of the pass-through entity that claims the credit must supply a schedule of the names, addresses, Social Security numbers or FEIN's, and the pro rata credit amounts of all other shareholders. If the pass-through entity has a New Mexico CRS identification number, the number must appear on the individual shareholder's income tax credit claim schedule. The combined pro rata credit may not exceed \$50,000 for any single project, although individual taxpayers may have earned similar credits from other projects.

Electronic Card-Reading Equipment Tax Credit

- Income Tax Act, Section 7-2-18.8 and Corporate Income and Franchise Tax Act, Section 7-2A-18
- For **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable

To encourage and assist businesses licensed to sell cigarettes, tobacco products or alcoholic beverages and who have purchased and have in use equipment that electronically reads identification cards to verify age, New Mexico provides a one-time credit up to \$300 for the purchase of electronic card-reading equipment for age verification. The credit is allowed for each business location where the business installs the equipment. *This non-refundable credit is available only in the tax year in which the equipment was purchased and put into use.* There is no carry-forward or carry-back provision for excess amounts.

How to claim the credit:

Corporations complete and submit Form RPD-41246, *Income Tax Credit for Electronic Identification Card Reader Purchase and Use Statement*, along with the CIT-1 return to the address on the income tax return.

Individuals complete and submit Form RPD-41246, *Income Tax Credit for Electronic Identification Card Reader Purchase and Use Statement*, along with the PIT return to the address on the income tax return. A husband and wife filing separate returns may each claim half the credit allowed for a joint return.

Owners of pass-through entities may claim the credit on their personal or corporate income tax returns. Each owner of the pass-through entity that claims the credit must supply a schedule of the names, addresses, and the pro rata credit amounts of all other shareholders. Each shareholder claiming the credit declares a pro rata share which, when combined, may not exceed \$300 for a single business location.

High-Wage Jobs Tax Credit

- Other Tax Credits Act, Section 7-9G-1
- For **CRS**, **E911** and **TRS** taxpayers
- Refundable
- Also found under Employment Enhancement Tax Credits in this publication
- Available only until July 1, 2020

Eligible employers who create high-wage jobs in New Mexico may apply for tax credit against

gross receipts tax (less local option gross receipts taxes), compensating tax, withholding tax, E911, and/or TRS tax due. An eligible employer is an employer: whose sales to persons outside New Mexico during the 12-month report period ending prior to claiming a high-wage jobs tax credit was more than 50%, **or** who is eligible for the Job Training Incentive Program (JTIP) assistance by the Economic Development Department, pursuant to Section 21-19-7. The credit equals 10% of wages and benefits for eligible employees employed in eligible high-wage jobs. The law limits the credits to \$12,000 per eligible employee for up to four years. To qualify the job must: be created after July 1, 2004; be occupied for at least 48 weeks during a qualifying period, and an eligible employee must be paid wages and benefits of at least \$40,000 if the job is performed or based in a municipality of at least 60,000 residents, or an area within ten miles of the external boundary of such a municipality, and at least \$28,000 if the job is performed or based anywhere else in the state. For new high wage jobs created after July 1, 2015, the threshold is raised to \$60,000 within a municipal area and \$40,000 elsewhere in the state. New Mexico's definition of benefits matches federal law. In general, eligible employees are unrelated New Mexico residents who have no relationship to the company applying for the credit or to any company that owns stock in the company applying for the credit.

How to apply for the credit:

Complete Form RPD-41288, *Application for High-Wage Jobs Tax Credit*, establishing eligibility and summarizing the totals of the jobs you claim, the wages and benefits paid and the credit amount applied for. TRD sends a notification of approval when all conditions are met.

How to claim the credit:

Once approved, submit Form RPD-41290, *High-Wage Jobs Tax Credit Claim Form*, with the tax or surcharge return to which you wish to apply the credit to TRD. You may apply all or a portion of the credit against tax owed on the CRS-1 Form, less local option gross receipts taxes; *Enhanced 911 Services Surcharge*; or Form RPD-41116, *Telecommunications Relay Service Surcharge*. When applying the credit to the CRS-1 Form, you must pay any gross receipts tax due over the state rate of 5.125%. Any excess credit will be refunded to the taxpayer.

Intergovernmental Business Tax Credit

- Corporate Income and Franchise Tax Act, Section 7-2A-16
- For **CIT** taxpayers
- Non-refundable

A corporation engaged in growing, processing or manufacturing may receive credit for up to 50% of all taxes imposed by an Indian nation, tribe or pueblo located wholly or partly in New Mexico on income from new business activity on Indian land. *Exception:* a tax eligible for credit under Section 7-29C-1 or any other intergovernmental tax that provides a similar credit may not be counted for intergovernmental business tax credit. Such taxes are oil and gas severance tax, oil and gas conservation tax, oil and gas emergency school tax, oil and gas ad valorem production tax on products severed from Indian tribal land, or a tax imposed on the privilege of severing products from tribal land. The law limits the credit to income from a new business established on tribal land after July 1, 1997. A new business is a manufacturer or processor occupying a new business facility, or a grower who began operation in New Mexico after July 1, 1997.

How to claim the credit:

Corporations complete the CIT-1 return. Attach a statement establishing entitlement to the credit and supply proof of payment of the tax on which it is based and mail to the address on the CIT-1 return.

Investment Credit

- Investment Credit Act, Sections 7-9A-1 through 7-9A-11
- For **CRS** taxpayers
- Refundable
- Also found under Employment Enhancement Tax Credits in this publication

The investment credit is for equipment owned and introduced into New Mexico for use by a taxpayer in a new or expanded manufacturing operation. The credit may be applied against a maximum of 85% of a taxpayer's gross receipts, compensating and withholding tax liability, but may not be taken against any local option gross receipts tax imposed by a county or a municipality. Any amount of credit remaining may be claimed in subsequent reporting periods.

NOTE: For this credit "manufacturing" excludes construction, farming, most power generation and the processing of natural resources and hydrocarbons. Some new power plants that sell to wholesalers are manufacturers.

An investment credit of 5.125% applies to the value³ of qualified equipment⁴ -- including equipment purchased under industrial revenue bonds -- purchased or brought into New Mexico in connection with a manufacturing⁵ operation⁶ in New Mexico. The equipment must meet **all** the following conditions to be eligible for the investment credit:

- 1) the equipment has not been used previously in New Mexico;
- 2) the equipment has not been approved previously for the investment credit;
- 3) the equipment is owned by the taxpayer or leased or subleased to the taxpayer by a United States or New Mexico governmental agency;
- 4) the equipment must be incorporated within one year into a manufacturing operation; and the equipment meets the qualifications set out under Section 7-9A-6.

After meeting the equipment requirements of the Investment Credit Act, the taxpayer must reach certain job-creation requirements. For every \$500,000 (or portion of that amount) in value of qualified equipment up to \$30 million, a taxpayer must add one full-time job to the number of full-time jobs the business reports exactly one year before the day it applies for investment credit. For over \$30 million of qualified equipment, the employment requirement decreases to one full-time job per \$1 million (or portion of that amount) in value of qualified equipment.

How to apply for the credit:

Submit a completed Form RPD-41167, *Application for New Mexico Investment Credit*, and Form RPD-41168, *Application for New Mexico Investment Credit – Schedule A*, within a year of the end of the calendar year in which the qualified equipment is first purchased and introduced into New Mexico. TRD sends notification of approval if all conditions are met.

How to claim the credit:

Once you have received approval, you may claim the investment credit by completing Form RPD-41212, *Investment Credit Claim Form*. Submit it with the CRS-1 Form to which you wish to

³ Effective until July 1, 2020, the value of the qualified equipment is the adjusted basis established for the equipment under the applicable provisions of the Internal Revenue Code (Section 7-9A-7).

⁴ "Equipment" means an essential machine, mechanism or tool, or component or fitting thereof, used directly and exclusively in a manufacturing operation and subject to depreciation for purposes of the Internal Revenue Code by the taxpayer carrying on the manufacturing operation. "Equipment" does not include any vehicle that leaves the site of the manufacturing operation for purposes of transporting persons or property or any property for which the taxpayer claims the credit pursuant to Section 7-9-79 NMSA 1978 (Section 7-9A-3B).

⁵ "Manufacturing" means combining or processing components or materials, including recyclable materials, to increase their value for sale in the ordinary course of business, including genetic testing and production, but not including: 1) construction; 2) farming; 3) power generation,* or 4) processing natural resources, including hydrocarbons; (Section 7-9A-3C). *Please see "**NOTE**" in the first paragraph of the "Investment Credit" section.

⁶ "Manufacturing operation" means a plant, including a genetic testing production facility employing personnel to perform production tasks, in conjunction with equipment not previously existing at the site, to produce goods (Section 7-9A-3D).

apply the credit. You may apply the credit to no more than 85% of gross receipts tax (excluding local option gross receipts taxes), compensating tax, or withholding tax due for any report period. The credit may be carried forward and may be refunded under certain limited conditions.

Research and Development Small Business Tax Credit

- Research and Development Small Business Tax Credit Act, Sections 7-9H-1 through 7-9H-6
- For **CRS** taxpayers (excluding compensating tax)
- Non-refundable

For reporting periods July 1, 2005, through June 30, 2015, qualified research and development small businesses may claim a credit equal to 100 percent of the taxpayer's gross receipts tax and 50 percent of withholding tax paid on behalf of employees and owners with no more than 5% ownership owed to New Mexico for the report period in which the business qualifies for the credit. The credit is not available for the period between July 1, 2009 and June 30, 2011. In general, a qualified business is a corporation, general partnership or similar entity with 25 or fewer employees, revenues under \$5 million annually and whose qualified research and development expenditures for the prior 12 months was equal to at least 20% of total expenditures for those calendar months. See the claim form for other requirements. The credit is available up to three consecutive years after the first month for which a claim for the credit is made by a taxpayer or by a successor of the business.

If a taxpayer does not qualify during a 12-month application period, the taxpayer may not claim the credit during that application period (regardless of whether the taxpayer qualified during the prior application period), but may qualify during subsequent periods. A 12-month application period begins with the first month for which a claim for the credit is made, or the anniversary date of the first month for which a claim for the credit is made through the next 12 consecutive months.

Taxpayers who claim the research and development small business tax credit are ineligible to claim the investment tax credit or the technology jobs tax credit for the same reporting period.

How to claim the credit:

All claimants, whether corporations or pass-through entities or sole proprietorships, who meet the qualifications during a report period may claim the credit by completing and submitting Form RPD-41298, *Research and Development Small Business Tax Credit Claim Form*, and the CRS-1 Long Form. The credit must be taken in the month that the transaction is reported.

Rural Job Tax Credit

- Rural Job Tax Credit, Section 7-2E-1.1
- For **CRS**, **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable, Transferable
- Also found under Employment Enhancement Tax Credits in this publication

Eligible employers may earn the rural job tax credit for each qualifying job created after July 1, 2000, applying it to gross receipts tax (less local option gross receipts taxes), compensating tax and withholding tax, or to corporate or personal income tax. An eligible employer is eligible for Job Training Incentive Program (JTIP) assistance from the Economic Development Department. A qualifying job means a job filled by an eligible employee for 48 weeks in a 12-month qualifying period.

For this credit “rural” means parts of New Mexico outside Los Alamos, Albuquerque, Los Ranchos, Corrales, Rio Rancho, Tijeras, Santa Fe, Las Cruces or Farmington or any area within 10 road miles of any of these cities. There are two types of rural area: “Tier Two” is limited to Roswell, Clovis, Carlsbad, Hobbs, Gallup and Alamogordo, and “Tier One” is any area within New Mexico not mentioned above (2010 census).

Employers receive a credit of 6.25% of the first \$16,000 in wages paid for a qualifying job in a qualifying period. For purposes of the credit, wages include all compensation paid by an eligible employer to an eligible employee through the employer’s payroll system, but do not include benefits or the employer’s share of payroll taxes. If the job is located in Tier One, the employer receives credit for four qualifying periods. A Tier Two employer may take it for two qualifying periods.

The credit may be carried forward for three years from the date issued.

How to apply for the credit:

Complete Form RPD-41238, *Application for Rural Job Tax Credit*. Attach a notarized completed Form RPD-41247, *Certificate of Eligibility for the Rural Job Tax Credit*, for each qualified job you claim in the eligible period. Show the totals of the jobs you claim *and* the wages on application Form RPD-41238. Submit all documentation to the Taxation and Revenue Department. TRD will notify the applicant if all conditions are met. Either an owner of a Pass-Through Entity (PTE) or the PTE itself may apply for the credit, but not both.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the rural job tax credit. To allocate the credit to the pass-through entity owners, members or partners you may complete Form RPD-41365, *Notice of Transfer of Rural Job Tax Credit*.

How to claim the credit:

Once approval is received from TRD, complete Form RPD-41243, *Rural Job Tax Credit Claim Form*. Attach it to the CRS-1, PIT-1, CIT-1, or S-Corp return to which you wish to apply the credit. The holder may apply all or a portion to gross receipts, compensating and withholding taxes due, less the amounts of other applied credit and local option tax already collected. The holder also may apply it to personal or corporate income tax due. The credit may be carried forward for three years from the date the credit is issued.

Transfer:

This credit is transferable. The taxpayer may sell exchange or otherwise transfer the Taxation and Revenue Department’s original approval document, carrying it forward three years from the date it was issued. In the event of transfer, however, the seller must notify TRD in writing within 10 days of a proposed sale, exchange or other transfer and give the name, address, taxpayer identification number, and the telephone number of the person who will assume the credit. Include the credit amount. TRD will compare the amount to the unclaimed credit and inform both parties in writing if the remaining credit is less than the amount proposed for transfer (Regulation 3.13.4.9 NMAC). Use Form RPD-41365, *Notice of Transfer of Rural Job Tax Credit*, to report to TRD a transfer or distribution of approved rural job tax credits.

Services for Resale Tax Credit

- Gross Receipts and Compensating Tax Act, Section 7-9-96
- For **CRS** taxpayers
- Non-refundable

Taxpayers who owe gross receipts tax or governmental gross receipts tax may claim a credit

against gross receipts tax for receipts from selling services for resale, provided the resale is in the ordinary course of business, the resale is not subject to either gross receipts tax or governmental gross receipts tax, and the buyer delivers to the seller appropriate documentation from TRD that the resale meets the criteria for “resale in the ordinary course of business.” The credit is equal to 10% of eligible receipts multiplied by 3.775% (.03775) for businesses within city limits, or 5% (.05) for businesses located in an unincorporated area of a county. This credit applies to receipts beginning after June 2005.

Services sold to government entities or to persons acting as contractors operating national laboratories in New Mexico are not eligible. The service must be resold and may not be consumed in the ordinary course of business.

How to claim the credit:

Those wishing to take the credit must ask the buyer for Form RPD-41305, *Declaration of Services Purchased for Resale*, declaring to the seller that the next transaction qualifies the current sale as eligible for the services for resale tax credit.

The seller may claim the credit by attaching a completed Form RPD-41300, *Services for Resale Tax Credit Form*, to the CRS-1 Long Form. You must use the CRS-1 Long Form to claim this credit. The credit may not be taken against other taxes due and payable with the CRS-1 Long Form. You must claim the credit in the month that the transaction is reported.

Technology Jobs Tax Credit

- Technology Jobs Tax Credit Act, Sections 7-9F-1 through 7-9F-12
- For **CRS**, **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable
- Also found under Employment Enhancement Tax Credits in this publication

Basic credit: A taxpayer who conducts qualified research⁷ and development at a facility in New Mexico – except at a facility operated for the U.S. government – may claim a basic credit equal to 4% of qualified expenditures. The 4% credit doubles when the qualified facility is in a rural area (that part of New Mexico outside Bernalillo, Doña Ana and Santa Fe counties and the three-mile buffer zone around Bernalillo, Doña Ana, San Juan and Santa Fe counties and the municipality of Rio Rancho). Qualified expenses include rent, equipment, software, payroll, technical manuals and materials, and operation and maintenance of facilities. *Expenditures which are reimbursed, or which are incurred on property owned by the taxpayer before July 4, 2000, on property owned by a local government in connection with an industrial bond project, – or for which the taxpayer has received another credit – are ineligible.*

Additional credit: A taxpayer may qualify for an additional 4% credit toward income tax liability by raising its in-state payroll \$75,000 for every \$1 million in qualified expenditures claimed. The minimum is \$75,000. This credit also doubles if the qualified facility is in a rural area.

Caution: The state may recapture the credit if the operation ceases for 180 days or more within two years of claiming the credit.

How to apply for basic and additional credit:

Submit a completed Form RPD-41239, *Application for Technology Jobs Tax Credit*, with documentation of the expenditures and payroll increase. The Department will notify you if you

⁷ “Qualified research” discovers information of a technological nature. It is intended for use in developing a new or improved business component of the taxpayer. For the most part the design of custom software does not meet the definition of qualified research unless a software company conducts research and design of an entirely new software product. Qualified research should include all activities related to new or improved function, performance, reliability or quality. Style, taste, and cosmetic or seasonal design are excluded as qualifiers (Section 7-9F-3).

are approved.

Allocation to pass-through entity owners:

Either a pass-through entity or an owner may claim basic technology jobs tax credit, however, only an owner of a pass-through entity may claim the additional credit. A pass-through entity may pass credit to its owners, partners or members using Form RPD-41368, *Notice of Distribution of Technology Jobs Tax Credit*.

How to claim the credit:

To claim an approved technology jobs tax credit, complete Form RPD-41244, *Technology Jobs Tax Credit Claim Form*. Submit it with the CRS-1, PIT-1, CIT-1, S-Corp or FID return to which you wish to apply the credit. You may take the credit against gross receipts tax, compensating tax, or withholding tax due for any report period and carry it forward. Apply "additional" credit to personal or corporate income tax. Married couples filing separate returns may each claim half the additional credit.

INDUSTRY INCENTIVE TAX CREDITS SPECIFIC INDUSTRY

Advanced Energy Tax Credit

- Other Tax Credits Act, Section 7-9G-2; Income Tax Act, Section 7-2-18.25; Corporate Income and Franchise Tax Act, Section 7-2A-25
- For **CRS, PIT, and CIT** taxpayers and owners of **PTE's**
- Non-refundable
- Also found under Conservation and Preservation Tax Credits in this publication

A taxpayer that holds an interest in a qualified electric generating facility may qualify to claim the advanced energy combined reporting tax credit against its gross receipts tax, compensating tax, withholding tax, personal income tax or corporate income tax liability. If the credit amount exceeds the taxpayer's liability, the excess can be carried forward for up to 10 years. The amount of the credit is 6% of expenditures for the development and construction of a qualified new solar thermal electric generating facility, a geothermal electric generating facility, or a solar photovoltaic electric generating facility that may include an associated or renewable energy storage facility or recycled energy project **OR** 6% of expenditures for the development and construction of a qualified new or re-powered coal-based electric generating unit and an associated coal gasification facility. Qualified facilities must begin construction no later than December 31, 2015. The aggregate amount of all advanced energy combined reporting tax credits claimed with respect to a qualified facility may not exceed \$60,000,000. Expenditures for which a taxpayer claims a credit are ineligible for credits under the Investment Credit Act or any other credit against personal income tax, corporate income tax, compensating tax, gross receipts tax or withholding tax.

NOTES:

(1) If the electric generating facility does not sequester or control CO₂ emissions as required, the certification shall be revoked and the taxpayer may be required to repay all or a portion of the amount of the credit taken against taxes owed.

(2) An advanced energy deduction from gross receipts tax and compensating tax is available for eligible generation plant costs to a person holding and interest in a qualified generating facility (Section 7-9-114 NMSA 1978). These deductions may not be claimed for the same qualified expenses for which the advanced energy tax credit was claimed. For more information on applying for these credits see Form RPD-41349 available on TRD's web site.

How to apply for the credit:

The electric generating facility and the claimant must apply for a certificate of eligibility from the New Mexico Environment Department (NMED) to obtain approval to claim the advanced energy tax credit. The NMED determines if the facility is a qualified generating facility and issues a certificate within 180 days after receiving all information necessary to determine eligibility.

Once the certificate of eligibility is issued by the NMED, the claimant may submit a completed Form RPD-41333, *Advanced Energy Tax Credit Application*, to the Taxation and Revenue Department (TRD) for approval. The NMED's certificate of eligibility must be attached to the application, along with the certificate showing the claimants interest in the qualified generating facility, and information required to determine the amount of tax credit allowed to the claimant. The application must be submitted within one year following the end of the calendar year in which the eligible generation plant costs are incurred. TRD will issue an approval for the credit.

How to claim the credit:

Once approved by TRD, the claimant may apply all or part of the credit against gross receipts, compensating or withholding tax due. The credit may also be claimed against personal or corporate income tax due. Attach a completed Form RPD-41334, *Advanced Energy Tax Credit Claim Form*, to the CRS-1 Long Form, PIT-1, CIT-1, S-Corp or FID returns to which you wish to apply the credit.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the advanced energy tax credit. To allocate the right to claim the credit to the pass-through entity owners, the PTE must complete the *Notice of Allocation of Right to Claim Advanced Energy Tax Credits*, and attach it to Form RPD-41333, *Advanced Energy Tax Credit Application*. Proof that the transferee is eligible for the credit as a taxpayer holding an interest in the qualified generating facility is required.

Agricultural Biomass Tax Credit

- Corporate Income and Franchise Tax Act, Section 7-2A-26; Income Tax Act, Section 7-2-18.26
- For **CIT** and **PIT** taxpayers and owners of **PTE's**
- Non-refundable

A taxpayer who owns a dairy or feedlot and files a New Mexico corporate income tax return or a New Mexico personal income tax return for a tax year beginning on, or after, January 1, 2011, and ending prior to January 1, 2020, may be eligible for this credit against those taxes. The credit is equal to \$5.00 per wet ton of agricultural biomass transported from the taxpayer's dairy or feedlot to a facility that uses agricultural biomass to generate electricity or make biocrude or other liquid or gaseous fuel for commercial use. "Agricultural biomass" means wet manure meeting specifications established by the New Mexico Energy, Minerals and Natural Resources Department.

A taxpayer may claim the agricultural biomass tax credit for either corporate income tax or personal income tax, but not both. Any portion of the credit that remains unused in a tax year may be carried forward for a maximum of four consecutive years following the tax year in which the credit originates, until the credit is fully expended.

How to apply for the credit:

The Taxation and Revenue Department must limit the annual combined total of all allowed agricultural biomass income tax credits and agricultural biomass income tax credits to a maximum of \$5 million. Applications for the credit will be considered in the order received by the

Department.

To apply for the credit you must first obtain a certificate of eligibility from the New Mexico Energy, Minerals and Natural Resources Department (EMNRD), for the transportation of agricultural biomass to a qualified facility. Once the certificate of eligibility is issued by EMNRD, the owner of the facility must promptly submit Form RPD-41362, *Agricultural Biomass Tax Credit Approval*, to TRD with a copy of the certificate. After approving a credit, TRD will furnish the applicant a numbered and dated document indicating the amount of credit granted.

How to claim the credit:

After approving a credit, TRD will furnish the applicant a numbered and dated document indicating the amount of credit granted. Once the approval is received, the taxpayer may submit Form RPD-41361, *Agricultural Biomass Tax Credit Claim Form*, with the taxpayer's New Mexico personal income tax return or corporate income tax return.

The taxpayer may sell, exchange or otherwise transfer the tax credit document to another taxpayer. Notification of distribution of the credit from an owner of the facility that is a partnership or other business association passing all or a portion of the credit to its owners can be made at the time the credit is approved by TRD, by completing Section II on Form RPD-41362, *Agricultural Biomass Tax Credit Approval*. Form RPD-41363, Notice of Transfer of Agricultural Biomass Tax Credit, is used to report to TRD a transfer of approved credit to another taxpayer. The credit cannot be transferred to a pass-through entity. The parties to such a transaction must notify TRD of the transaction within 10 days of its occurrence.

Affordable Housing Tax Credit

- Affordable Housing Tax Credit Act, Sections 7-9I-1 through 7-9I-6
- For **CRS**, **PIT**, **CIT**, **E911** and **TRS** taxpayers and owners of **PTE's**
- Non-refundable, Transferable

This tax credit is offered in hopes of making affordable housing more available in New Mexico. Beginning January 1, 2006, the Mortgage Finance Authority (MFA) issued vouchers to persons who have invested in affordable housing projects. The vouchers, good for up to 50% of the investment, may be sold or transferred. "Affordable housing" covers land acquisition, construction, building acquisition, remodeling, improvement, rehabilitation, conversion or weatherization for single or multi-family residences approved by MFA. After receiving the vouchers from MFA, the taxpayer may apply them for credit against gross receipts (less local option gross receipts taxes), compensating, withholding, personal income, corporate income, E911 and TRS tax liabilities and carry unused credits forward for five years. *The MFA, not TRD, approves, issues and administers the vouchers.* The MFA informs TRD within 20 days of issuance of a voucher that it has approved a project under the Affordable Housing Tax Credit Act.

How to apply for the credit:

All taxpayers seeking the credit must contact the Mortgage Finance Authority for approval of the project and issuance of the vouchers.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the affordable house tax credit. The credit may be transferred to the owners of a pass-through entity by submitting a completed *Affordable Housing Tax Credit Transfer Form*, to MFA. Upon receipt of the new investment voucher from MFA, the owners may claim the credit against future returns. See "Transfer" below.

How to claim the credit:

All taxpayers holding an approved investment voucher may apply all or part of the credit against the holder's modified combined tax liability⁸, personal income tax or corporate income tax liability. Attach Form RPD-41301, *Affordable Housing Tax Credit Claim Form*, to the form appropriate to the tax program for which you wish to apply the credit.

Transfer:

The credit may also be sold, exchanged or otherwise transferred to another holder. When an investment voucher is transferred in whole or in part to a new holder, TRD and MFA must be notified within 10 days of the transfer. The new holder will be issued a new investment voucher and a new investment voucher number. Upon receipt of the transfer investment voucher, the new holder may apply affordable housing tax credit against future returns, but may not apply any credit past 5 years from the calendar year in which the original investment voucher was issued. To transfer an investment voucher, submit a completed *Affordable Housing Tax Credit Transfer Form*, to MFA.

Cancer Clinical Trial Tax Credit

- Income Tax Act, Section 7-2-18.27
- For **PIT** taxpayers
- Non-refundable, non-transferable

For tax years beginning on or after January 1, 2012, but before January 1, 2016, a taxpayer who files a New Mexico personal income tax return, who is not a dependent of another taxpayer, who is a oncologist licensed according to the Medical Practice Act, and whose practice is located in rural New Mexico, may claim a tax credit of \$1,000 for each patient participating in a cancer clinical trial under the physician's supervision during the year, but not to exceed \$4,000 for all cancer clinical trials conducted by that physician. The credit may only be claimed against personal income tax owed by the licensed physician, and only for the tax year in which the physician participates as an investigator in a clinical trial. The credit may not be carried forward to another year, or refunded. A husband and wife who file separate returns for a tax year in which they could have filed a joint return may each only claim one-half of the tax credit that would have been allowed on a joint return. Rural New Mexico means any location outside of Bernalillo, Santa Fe, Sandoval, Doña Ana, San Juan, Los Alamos and De Baca Counties.

How to claim the credit:

To claim the credit, submit a completed Form RPD-41358, *Cancer Clinical Trial Tax Credit Claim Form*, with the PIT-1 return. Mail it to the address on the return.

Biodiesel Blending Facility Tax Credit

- Gross Receipts and Compensating Tax Act, Section 7-9-79.2
- For **CRS** taxpayers
- Non-refundable
- Also found under Industry Incentive Tax Credits--Specific Industry in this publication

A taxpayer who is a rack operator as defined in the Special Fuels Supplier Tax Act, who installs biodiesel blending equipment owned by the rack operator for the purpose of establishing or expanding a facility to produce blended biodiesel fuel is eligible to claim a gross receipts tax and

⁸ "Modified combined tax liability" means the total liability for the report period for gross receipts, compensating and withholding taxes, interstate telecommunications gross receipts tax, E911 surcharges and telecommunications relay surcharges *minus* any credit other than the affordable housing tax credit applied against these taxes. Modified combined tax liability also excludes amounts collected for local option gross receipts taxes and governmental gross receipts taxes.

compensating tax credit. The rack operator must be registered with TRD and filing Form RPD-41307, *Rack Operator Report*, to qualify. The credit is equal to 30% of the cost of purchasing and installing biodiesel blending equipment. The rack operator must obtain a dated certificate of eligibility from New Mexico Energy, Minerals and Natural Resources Department (EMNRD) to apply for this credit. The credit cannot exceed \$50,000 for equipment installed at one facility. Excess biodiesel blending facility tax credit may be carried forward for four years from the date of the certificate of eligibility issued by EMNRD.

If a credit claimant ceases biodiesel blending without completing at least 180 days of availability of the facility within the first 365 days of issuance of the certificate of eligibility, the taxpayer must notify TRD that they are no longer eligible for the approved credit and any amount of approved credit not applied will be extinguished. Taxpayers must file amended returns and self-assess the tax owed and return any tax credit received within 425 days of the date of issuance of the certificate.

How to apply for the credit:

A taxpayer must first apply to EMNRD who shall determine if the equipment for which the tax credit will be claimed meets the requirements; and if purchase and installation costs reported by the taxpayer are legitimate. If approved EMNRD will issue a dated certificate of eligibility containing an estimate of the amount of the biodiesel blending facility tax credit for which the taxpayer is eligible.

Upon receipt of the certificate of eligibility received from EMNRD, the taxpayer submits a completed Form RPD-41339, *Biodiesel Blending Facility Tax Credit Approval Request Form*, and the certificate of eligibility to TRD. After TRD approves the credit the taxpayer may begin to claim the credit. TRD may not approve biodiesel blending facility tax credits if the total cumulative amount of claims for the credit for all taxpayers for the calendar year exceeds \$1,000,000. Requests for credit approval that exceed the maximum allowed in a calendar year may be considered for approval in the next calendar year.

How to claim the credit:

Once you are notified that you are approved for the credit by TRD, complete Form RPD-41321, *Biodiesel Blending Facility Tax Credit Claim Form*, and submit it along with the CRS-1 Long Form for the report period to which you wish to apply the credit.

Film Production Tax Credit

- Film Production Tax Credit Act, Sections 7-2F-1 through 7-2F-4
- For **CIT** and **PIT** taxpayers and **PTE's**
- Refundable

A credit against personal or corporate income tax is available for 25% of direct production and direct postproduction expenditures made in New Mexico that are subject to taxation by the state of New Mexico and directly attributable to the production of a film or commercial audiovisual product. An additional 5% may be added to the calculation for television shows, subject to certain requirements. The production must be in New Mexico for direct production expenditures. The definition of direct production expenditure includes payment to a personal services corporation for the services of a performing artist, if the film production company remits, or causes to be deducted and remitted, income tax at the maximum rate in New Mexico on the portion of those payments qualifying for the tax credit. For vendor payments to be eligible for credit, a vendor must employ New Mexico residents as that term is defined in the Income Tax Act.

Excluded from the credit are costs for which the film production company has already delivered nontaxable transaction certificates under Section 7-9-86 and expenditures for which another taxpayer claims the film production tax credit. The credit covers postproduction expenditures directly attributable only to *services* performed in New Mexico and subject to taxation here. Postproduction expenditures do not include those for which another taxpayer claims the film production tax credit.

A 20% credit is offered for expenditures for which the taxpayer receives a new markets tax credit from the federal government.

A limit of \$5 million per year is established for credit claimed on services of performing artists in connection with one production.

Chartering of aircraft for out-of-state transportation does not qualify for the credit. Commercial airfare does not qualify unless purchased through a New Mexico-based travel agency or travel company for travel to and from New Mexico or within New Mexico that is directly attributable to the production. An outside audit of expenditures may be required under certain circumstances. Certain types of “luxury” expenditures are not eligible for the credit, and expenditures cannot exceed the usual and customary cost of the goods and services acquired when purchased by unrelated parties. A film production company must provide the Film Office of the Economic Development Department a projection of their likely credit claims in the fiscal year.

The aggregate total amount of film production tax credits to be authorized for payment in any fiscal year is limited to \$50 million. A film production company that is unable to receive the tax credit because claims exceed that limitation will be placed at the front of the queue for the next fiscal year. Credits will be distributed over multiple years as follows: (1) credit claims of less than \$2 million will be paid immediately upon approval; (2) claims between \$2 million and \$5 million will be divided into two equal allocations, one to be paid immediately and the second 12 months following the first payment; (3) claims of over \$5 million will be divided into three allocations: one to be paid immediately, one 12 months later, and the final installment to be paid 24 months after the first. No interest will be paid on any amount refunded under the film production tax credit. The Taxation and Revenue Department is required to post on its web site the monthly aggregate amount of credits claimed and processed for the fiscal year. An amount of the annual film production tax credit, up to \$10 million, that is unused under the \$50 million cap may be carried forward and added into the subsequent fiscal year’s cap. In a year where the cap is not reached, and there are amounts that would be paid in a subsequent year under the multi-year provision of the credit, those amounts may be paid in the current year up to the cap.

NOTE: The Film Office of the Economic Development Department approves film production companies for eligibility. TRD determines whether the film production company’s expenses are eligible. TRD refunds excess tax credit (any amount over the company’s tax liability) for the tax year in which the film production company claims the credit, within the limitations in statute.

How to apply for the credit:

To be eligible for the film production tax credit, a film production company must first be approved by the New Mexico Film Office of the Economic Development Department. Once approval is received, the company may apply for the credit by submitting a completed Form RPD-41229, *Application for Film Production Tax Credit*, along with the Film Office approval to TRD. Attach the Film Office approval, a copy of the project’s cost-accounting summary, and a breakout of the New Mexico costs for each line item. To be eligible for the credit, applicants must provide additional public notification upon completion of a film; must apply for the credit within one year of completing the film; payments to personal services corporations (PSC’s) for the services of a performing artist are eligible for credit only if the PSC withholds New Mexico income tax at the maximum rate of tax; for payments to vendors to be eligible for the credit, the

vendor must have a physical presence in the state; and applicants must report to the Film Office their total wages paid to New Mexico residents, gross receipts taxes paid, the number of New Mexico residents employed, total spending that was not eligible for the credit and total payments to non-residents.

How to claim the credit:

Claims must be on a complete tax return and the credit cannot be divided and submitted with multiple returns or in multiple years.

Corporations once you have been notified by TRD that you are approved for the credit, you may claim the credit by completing and attaching Form RPD-41228, *Film Production Tax Credit Claim Form*, to your CIT-1 income tax return. Submit these forms to the address on the claim form.

Individuals, once you have been notified by TRD that you are approved for the credit, you may claim the credit by completing and attaching Form RPD-41228, *Film Production Tax Credit Claim Form*, to your PIT-1 income tax return. Submit these forms to the address on the claim form. A married couple filing separate returns may each claim half the amount allowed for a joint return.

Pass-through entities, once you have been notified by TRD that you are approved for the credit, you may claim the credit by completing and attaching Form RPD-41228, *Film Production Tax Credit Claim Form*, to your information return. Submit these forms to the address on the claim form.

Hospitals Gross Receipts Tax Credit

- Gross Receipts and Compensating Tax Act, Section 7-9-96.1
- For **CRS** taxpayers
- Non-refundable

Certain hospitals licensed by the New Mexico Department of Health may claim a gross receipts tax credit equal to a percentage of taxable gross receipts as listed below. A qualified hospital is a facility providing emergency or urgent care, inpatient medical care and nursing care for acute illness, injury surgery, or obstetrics and includes a facility licensed as a critical access hospital, general hospital, long-term acute care hospital, psychiatric hospital, rehabilitation hospital, limited services hospital and special hospital.

For hospitals located in a municipality, on or after July 1, 2011, the tax credit is 3.775 percent of taxable gross receipts.

For hospitals located in the unincorporated areas of a county, on or after July 1, 2011, the tax credit is 5 percent of taxable gross receipts.

How to claim the credit:

The qualifying hospital must complete Form RPD-41324, *Gross Receipts Tax Credit for Certain Hospitals Claim Form*, and submit it with the CRS-1 Long Form to TRD.

Laboratory Partnership with Small Business Tax Credit

- Laboratory Partnership with Small Business Tax Credit Act, Sections 7-9E-1 through 7-9E-11
- For **National Laboratories** only.
- Non-refundable

When a national laboratory offers certain types of eligible assistance to individual small businesses ("small business" as defined in the federal Small Business Act, P.L. 85-536) in New Mexico and incurs expenses for doing so, it may take a credit against the state portion of gross receipts tax of up to \$10,000 per business or \$20,000 for a business in a rural area. Local option gross receipts tax is excluded. The maximum credit is \$2.4 million in any calendar year. Qualified expenses range widely from wages/benefits to providing mentors to the small business in partnership with the laboratory. The business must certify to the laboratory that the assistance it seeks is not available at reasonable cost through private industry.

The limit on assistance to a particular small business applies to the total amount of assistance provided by all national laboratories to that business. National laboratories are required to coordinate their activities under the credit by developing an operational plan and a plan to insure that the assistance for which they claim a credit suits the small business' needs and challenges.

How to apply for the credit:

A national laboratory must complete Form RPD-41325, *Application for New Mexico Laboratory Partnership with Small Business Tax Credit*, and submit it with the CRS-1 Form to which it wishes to apply the credit.

Rural Health Care Practitioner Tax Credit

- Income Tax Act, Section 7-2-18.22
- For **PIT** taxpayers
- Non-refundable, non-transferable

A taxpayer who files an New Mexico personal income tax return, who is not a dependent of another taxpayer, who is an eligible health care practitioner who has provided health care services in New Mexico in a rural health care underserved area in a tax year may claim this credit. The rural health care practitioner tax credit may be claimed and allowed in an amount up to \$5,000 for eligible physicians, osteopathic physicians, dentists, clinical psychologists, podiatrists and optometrists who qualify, and up to \$3,000 for all eligible dental hygienists, physician assistants, certified nurse-midwives, certified registered nurse anesthetists and clinical nurse specialists who qualify. To qualify an eligible health care practitioner shall have provided health care services during a tax year for at least 2,080 hours at a practice site located in an approved rural health care underserved area, or one-half the credit amount if the health care services were provided for at least 1,040 hours, but less than 2,080 hours, in an approved rural health care underserved area.

Before an eligible health care practitioner may claim the rural health care practitioner tax credit, the practitioner submits an application to the New Mexico Department of Health (NMDOH) that describes the practitioner's clinical practice. NMDOH will determine whether an eligible health care practitioner qualifies for the rural health care practitioner tax credit, and will issue a certificate to a qualifying eligible health care practitioner. To apply for certification of eligibility, contact NMDOH at (505) 222-8672 or visit their web site at <http://www.health.state.nm.us>. The address is 300 San Mateo NE, Suite 900, Albuquerque, New Mexico 87108.

How to claim the credit:

Submit a completed Form RPD-41326, *Rural Health Care Practitioner Tax Credit Claim Form*, with the New Mexico personal income tax return during the tax year the credit is certified by NMDOH or the tax year in which a carry-forward is claimed against a personal income tax liability. You must also submit a copy of the certificate of eligibility issued by NMDOH. Include Schedule A if you have unused rural health care practitioner tax credit eligible to be carried forward from prior years. Credit not taken may be carried forward for three consecutive years.

Unpaid Doctor Services Tax Credit

- Gross Receipts and Compensating Tax Act, Section 7-9-96.2
- For **CRS** taxpayers
- Non-refundable

Licensed medical doctors and licensed osteopathic physicians may claim a credit against gross receipts taxes due for the value of unpaid bills for medical care services performed while on call to a hospital. To qualify, a licensed medical doctor or a licensed osteopathic physician must: (1) provide the medical services while on call to a hospital; (2) the value of the medical care services must be unpaid one year after the date of billing; and (3) the licensed medical doctor or licensed osteopathic physician must have reason to believe the services will not be paid. See Form RPD-41323, for other requirements.

How to claim the credit:

A taxpayer must complete Form RPD-41323, *Gross Receipts Tax Credit for Certain Unpaid Doctor Services Claim Form*, and submit it along with the CRS-1 Long Form to which you wish to claim the credit.

EMPLOYMENT ENHANCEMENT TAX CREDITS

Corporate-Supported Child Care Tax Credit

- Corporate Income and Franchise Tax Act, Section 7-2A-14
- For **CIT** taxpayers
- Non-refundable

Corporations providing or paying for licensed childcare services for employees' children under 12 years of age may deduct 30% of eligible expenses from their corporate income tax liability for the tax year in which the expenses occur. There is a cap of \$30,000 in any tax year. If the credit is more than the tax liability, the taxpayer may carry it forward for three consecutive years.

How to claim the credit:

Taxpayers with corporate income tax liability must complete Form CIT-3, *New Mexico Corporate Child Care Credit*, and attach it to your CIT-1 return. Submit the forms to the address on your income tax return.

High-Wage Jobs Tax Credit

- Other Tax Credits Act, Section 7-9G-1
- For **CRS**, **E911** and **TRS** taxpayers
- Refundable
- Also found under Employment Enhancement Tax Credits in this publication
- Available only until July 1, 2020

Eligible employers who create high-wage jobs in New Mexico may apply for tax credit against gross receipts tax (less local option gross receipts taxes), compensating tax, withholding tax, E911, and/or TRS tax due. An eligible employer is an employer: whose sales to persons outside New Mexico during the 12-month report period ending prior to claiming a high-wage jobs tax credit was more than 50%, **or** who is eligible for the Job Training Incentive Program (JTIP) assistance by the Economic Development Department, pursuant to Section 21-19-7. The credit equals 10% of wages and benefits for eligible employees employed in eligible high-wage jobs. The law limits the credits to \$12,000 per eligible employee for up to four years. To qualify the job must: be created after July 1, 2004; be occupied for at least 48 weeks during a qualifying period,

and an eligible employee must be paid wages and benefits of at least \$40,000 if the job is performed or based in a municipality of at least 60,000 residents, or an area within ten miles of the external boundary of such a municipality, and at least \$28,000 if the job is performed or based anywhere else in the state. For new high wage jobs created after July 1, 2015, the threshold is raised to \$60,000 within a municipal area and \$40,000 elsewhere in the state. New Mexico's definition of benefits matches federal law. In general, eligible employees are unrelated New Mexico residents who have no relationship to the company applying for the credit or to any company that owns stock in the company applying for the credit.

How to apply for the credit:

Complete Form RPD-41288, *Application for High-Wage Jobs Tax Credit*, establishing eligibility and summarizing the totals of the jobs you claim, the wages and benefits paid and the credit amount applied for. TRD sends a notification of approval when all conditions are met.

How to claim the credit:

Once approved, submit Form RPD-41290, *High-Wage Jobs Tax Credit Claim Form*, with the tax or surcharge return to which you wish to apply the credit to TRD. You may apply all or a portion of the credit against tax owed on the CRS-1 Form, less local option gross receipts taxes; *Enhanced 911 Services Surcharge*; or Form RPD-41116, *Telecommunications Relay Service Surcharge*. When applying the credit to the CRS-1 Form, you must pay any gross receipts tax due over the state rate of 5.125%. Any excess credit will be refunded to the taxpayer.

Investment Credit

- Investment Credit Act, Sections 7-9A-1 through 7-9A-11
- For **CRS** taxpayers
- Refundable
- Also found under Employment Enhancement Tax Credits in this publication

The investment credit is for equipment owned and introduced into New Mexico for use by a taxpayer in a new or expanded manufacturing operation. The credit may be applied against a maximum of 85% of a taxpayer's gross receipts, compensating and withholding tax liability, but may not be taken against any local option gross receipts tax imposed by a county or a municipality. Any amount of credit remaining may be claimed in subsequent reporting periods.

NOTE: For this credit "manufacturing" excludes construction, farming, most power generation and the processing of natural resources and hydrocarbons. Some new power plants that sell to wholesalers are manufacturers.

An investment credit of 5.125% applies to the value⁹ of qualified equipment¹⁰ -- including equipment purchased under industrial revenue bonds -- purchased or brought into New Mexico in connection with a manufacturing¹¹ operation¹² in New Mexico. The equipment must meet **all** the following conditions to be eligible for the investment credit:

⁹ Effective until July 1, 2020, the value of the qualified equipment is the adjusted basis established for the equipment under the applicable provisions of the Internal Revenue Code (Section 7-9A-7).

¹⁰ "Equipment" means an essential machine, mechanism or tool, or component or fitting thereof, used directly and exclusively in a manufacturing operation and subject to depreciation for purposes of the Internal Revenue Code by the taxpayer carrying on the manufacturing operation. "Equipment" does not include any vehicle that leaves the site of the manufacturing operation for purposes of transporting persons or property or any property for which the taxpayer claims the credit pursuant to Section 7-9-79 NMSA 1978 (Section 7-9A-3B).

¹¹ "Manufacturing" means combining or processing components or materials, including recyclable materials, to increase their value for sale in the ordinary course of business, including genetic testing and production, but not including: 1) construction; 2) farming; 3) power generation,* or 4) processing natural resources, including hydrocarbons; (Section 7-9A-3C). *Please see "**NOTE**" in the first paragraph of the "Investment Credit" section.

¹² "Manufacturing operation" means a plant, including a genetic testing production facility employing personnel to perform production tasks, in conjunction with equipment not previously existing at the site, to produce goods (Section 7-9A-3D).

- 1) the equipment has not been used previously in New Mexico;
- 2) the equipment has not been approved previously for the investment credit;
- 3) the equipment is owned by the taxpayer or leased or subleased to the taxpayer by a United States or New Mexico governmental agency;
- 4) the equipment must be incorporated within one year into a manufacturing operation; and
- 5) the equipment meets the qualifications set out under Section 7-9A-6.

After meeting the equipment requirements of the Investment Credit Act, the taxpayer must reach certain job-creation requirements. For every \$500,000 (or portion of that amount) in value of qualified equipment up to \$30 million, a taxpayer must add one full-time job to the number of full-time jobs the business reports exactly one year before the day it applies for investment credit. For over \$30 million of qualified equipment, the employment requirement decreases to one full-time job per \$1 million (or portion of that amount) in value of qualified equipment.

How to apply for the credit:

Submit a completed Form RPD-41167, *Application for New Mexico Investment Credit*, and Form RPD-41168, *Application for New Mexico Investment Credit – Schedule A*, within a year of the end of the calendar year in which the qualified equipment is first purchased and introduced into New Mexico. TRD sends notification of approval if all conditions are met.

How to claim the credit:

Once you have received approval, you may claim the investment credit by completing Form RPD-41212, *Investment Credit Claim Form*. Submit it with the CRS-1 Form to which you wish to apply the credit. You may apply the credit to no more than 85% of gross receipts tax (excluding local option gross receipts taxes), compensating tax, or withholding tax due for any report period. The credit may be carried forward and may be refunded under certain limited conditions.

Job Mentorship Tax Credit

- Income Tax Act, Section 7-2-18.11 and Corporate Income and Franchise Tax Act, Section 7-2A-17.1
- For **CIT** and **PIT** taxpayers and owners
- Non-refundable

The job mentorship tax credit gives either a corporate or personal income tax credit to businesses hiring qualified students in a school-sanctioned, career-preparation education program. Qualifying businesses must employ students attending an accredited New Mexico secondary school full time. Credits are for 50% of the gross wages paid, subject to limitations. No business may claim more than ten students or \$12,000 in any tax year, nor may any student displace a current employee. The credit cannot be allowed for more than 50% of gross wages paid on the first 320 hours of employment for each qualified student; and a credit cannot be allowed for more than three taxable years. Excess job mentorship tax credit may be carried forward from prior years. The credit can be claimed by one or more owners, partners or associates.

How to apply for the credit:

TRD issues certificates only to an accredited secondary school with an eligible program, and the school principal executes a completed certificate to the student's employer. TRD issues certificates to the school according to the number of qualified students in the program on October 15 of the school year. To obtain the certificates, the school principal completes Form RPD-41279, *New Mexico Job Mentorship Tax Credit Certificate Request Form*, and submits it to a local TRD district tax office. The *Job Mentorship Tax Credit Certificate*, Form RPD-41280, is executed by the school principal and transferred to a New Mexico business (employer) participating in the school-sanctioned career preparation education programs sponsored by the

school. A certificate cannot be transferred to another business, another school year or another qualified student.

How to claim the credit:

Corporations complete the CIT-1 form and schedule CIT-CR or S-Corp return and schedule S-Corp-CR and attach Form RPD-41281, *Job Mentorship Tax Credit Claim Form*, and Form RPD-41280, *Job Mentorship Tax Credit Certificate*, for each student employed during the tax year for which the return is filed. Submit to the address on the CIT-1 or S-Corp return.

Individuals complete the PIT-1 form and the PIT-CR schedule. Attach a completed Form RPD-41281, *Job Mentorship Tax Credit Claim Form*, and Form RPD-41280, *Job Mentorship Tax Credit Certificate*, for each student employed during the tax year for which the return is filed. A married couple filing separate returns may each claim half the amount allowed for a joint return. Submit to the address on the PIT-1 return.

Owners should follow the instructions above depending on whether you are an individual or a corporation, and attach a completed *Division of the Total Available Credit Report* with the claim form.

Rural Job Tax Credit

- Rural Job Tax Credit, Section 7-2E-1.1
- For **CRS**, **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable, Transferable
- Also found under Employment Enhancement Tax Credits in this publication

Eligible employers may earn the rural job tax credit for each qualifying job created after July 1, 2000, applying it to gross receipts tax (less local option gross receipts taxes), compensating tax and withholding tax, or to corporate or personal income tax. An eligible employer is eligible for Job Training Incentive Program (JTIP) assistance from the Economic Development Department. A qualifying job means a job filled by an eligible employee for 48 weeks in a 12-month qualifying period.

For this credit "rural" means parts of New Mexico outside Los Alamos, Albuquerque, Los Ranchos, Corrales, Rio Rancho, Tijeras, Santa Fe, Las Cruces or Farmington or any area within 10 road miles of any of these cities. There are two types of rural area: "Tier Two" is limited to Roswell, Clovis, Carlsbad, Hobbs, Gallup and Alamogordo, and "Tier One" is any area within New Mexico not mentioned above (2010 census).

Employers receive a credit of 6.25% of the first \$16,000 in wages paid for a qualifying job in a qualifying period. For purposes of the credit, wages include all compensation paid by an eligible employer to an eligible employee through the employer's payroll system, but do not include benefits or the employer's share of payroll taxes. If the job is located in Tier One, the employer receives credit for four qualifying periods. A Tier Two employer may take it for two qualifying periods.

The credit may be carried forward for three years from the date issued.

How to apply for the credit:

Complete Form RPD-41238, *Application for Rural Job Tax Credit*. Attach a notarized completed Form RPD-41247, *Certificate of Eligibility for the Rural Job Tax Credit*, for each qualified job you claim in the eligible period. Show the totals of the jobs you claim *and* the wages on application Form RPD-41238. Submit all documentation to the Taxation and Revenue Department. TRD will

notify the applicant if all conditions are met. Either an owner of a Pass-Through Entity (PTE) or the PTE itself may apply for the credit, but not both.

Allocation to pass-through entity owners:

A Pass-Through Entity (PTE) may not claim the rural job tax credit. To allocate the credit to the pass-through entity owners, members or partners you may complete Form RPD-41365, *Notice of Transfer of Rural Job Tax Credit*.

How to claim the credit:

Once approval is received from TRD, complete Form RPD-41243, *Rural Job Tax Credit Claim Form*. Attach it to the CRS-1, PIT-1, CIT-1, or S-Corp return to which you wish to apply the credit. The holder may apply all or a portion to gross receipts, compensating and withholding taxes due, less the amounts of other applied credit and local option tax already collected. The holder also may apply it to personal or corporate income tax due. The credit may be carried forward for three years from the date the credit is issued.

Transfer:

This credit is transferable. The taxpayer may sell, exchange or otherwise transfer the Taxation and Revenue Department's original approval document, carrying it forward three years from the date it was issued. In the event of transfer, however, the seller must notify TRD in writing within 10 days of a proposed sale, exchange or other transfer and give the name, address, taxpayer identification number, and the telephone number of the person who will assume the credit. Include the credit amount. TRD will compare the amount to the unclaimed credit and inform both parties in writing if the remaining credit is less than the amount proposed for transfer (Regulation 3.13.4.9 NMAC). Use Form RPD-41365, *Notice of Transfer of Rural Job Tax Credit*, to report to TRD a transfer or distribution of approved rural job tax credits.

Technology Jobs Tax Credit

- Technology Jobs Tax Credit Act, Sections 7-9F-1 through 7-9F-12
- For **CRS**, **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable
- Also found under Employment Enhancement Tax Credits in this publication

Basic credit: A taxpayer who conducts qualified research¹³ and development at a facility in New Mexico – except at a facility operated for the U.S. government – may claim a basic credit equal to 4% of qualified expenditures. The 4% credit doubles when the qualified facility is in a rural area (that part of New Mexico outside Bernalillo, Doña Ana and Santa Fe counties and the three-mile buffer zone around Bernalillo, Doña Ana, San Juan and Santa Fe counties and the municipality of Rio Rancho). Qualified expenses include rent, equipment, software, payroll, technical manuals and materials, and operation and maintenance of facilities. *Expenditures which are reimbursed, or which are incurred on property owned by the taxpayer before July 4, 2000, on property owned by a local government in connection with an industrial bond project, – or for which the taxpayer has received another credit – are ineligible.*

Additional credit: A taxpayer may qualify for an additional 4% credit toward income tax liability by raising its in-state payroll \$75,000 for every \$1 million in qualified expenditures claimed. The minimum is \$75,000. This credit also doubles if the qualified facility is in a rural area.

¹³ "Qualified research" discovers information of a technological nature. It is intended for use in developing a new or improved business component of the taxpayer. For the most part the design of custom software does not meet the definition of qualified research unless a software company conducts research and design of an entirely new software product. Qualified research should include all activities related to new or improved function, performance, reliability or quality. Style, taste, and cosmetic or seasonal design are excluded as qualifiers (Section 7-9F-3).

Caution: The state may recapture the credit if the operation ceases for 180 days or more within two years of claiming the credit.

How to apply for basic and additional credit:

Submit a completed Form RPD-41239, *Application for Technology Jobs Tax Credit*, with documentation of the expenditures and payroll increase. The Department will notify you if you are approved.

Allocation to pass-through entity owners:

Either a pass-through entity or an owner may claim basic technology jobs tax credit, however, only an owner of a pass-through entity may claim the additional credit. A pass-through entity may pass credit to its owners, partners or members using Form RPD-41368, *Notice of Distribution of Technology Jobs Tax Credit*.

How to claim the credit:

To claim an approved technology jobs tax credit, complete Form RPD-41244, *Technology Jobs Tax Credit Claim Form*. Submit it with the CRS-1, PIT-1, CIT-1, S-Corp or FID return to which you wish to apply the credit. You may take the credit against gross receipts tax, compensating tax, or withholding tax due for any report period and carry it forward. Apply “additional” credit to personal or corporate income tax. Married couples filing separate returns may each claim half the additional credit.

Veteran Employment

- Income Tax Act; Corporate Income and Franchise Tax Act
- For **PIT** and **CIT** taxpayers and owners of **PTE's**
- Non-refundable

For taxable years beginning January 1, 2012, through December 31, 2016, a taxpayer who employs a qualified military veteran in New Mexico is eligible for a credit against the taxpayer's personal or corporate income tax liability in an amount up to \$1,000 of the gross wages paid to each qualified military veteran by the taxpayer during the taxable year for which the return is filed. The purpose of the credit is to encourage the full-time employment of qualified military veterans within two years of discharge from the armed forces of the United States.

How to apply for the credit:

Submit a completed Form RPD-41370, *Veteran Employment Tax Credit Approval Form*, with documentation supporting your claim. The Department will notify you if you are approved.

How to claim the credit:

Corporations complete and submit Form RPD-41371, *Veteran Employment Tax Credit Claim Form*, along with the CIT-1 return to the address on the income tax return.

Individuals complete and submit Form RPD-41371, *Veteran Employment Tax Credit Claim Form*, along with the PIT return to the address on the income tax return. A husband and wife filing separate returns may each claim half the credit allowed for a joint return.

Owners of pass-through entities may claim the credit on their personal or corporate income tax returns. Each owner of the pass-through entity that claims the credit must supply a schedule of the names, addresses, and the pro rata credit amounts of all other shareholders.

TAXPAYER INFORMATION

The Department offers a variety of taxpayer information. Some information is free and other information must be purchased.

General Information. FYI's and Bulletins present general information with a minimum of technical language. All FYI's and Bulletins are free and available through all local tax offices, the Tax Information and Policy Office, and on the Internet. The Taxation and Revenue Department's Internet address is:

<http://www.tax.newmexico.gov>

Regulations. The Department establishes regulations to interpret and exemplify the various tax acts it administers. The Taxation and Revenue Department regulation book is available from the New Mexico Compilation Commission on a prepaid basis. The Compilation Commission also has a compact disk of all statutes and regulations. Specific regulations are also available at the State Records Center or on its web page at www.nmcpr.state.nm.us/nmac.

Order regulation books directly from:

New Mexico Compilation Commission

<http://www.nmcompcomm.us/index.html>

Rulings. Rulings signed by the Secretary and approved by the Attorney General are written statements that apply to one or a small number of taxpayers. A taxpayer may request a ruling (at no charge) to clarify its tax liability or responsibility under specific circumstances. The request for a ruling must be in writing, include accurate taxpayer identification and the details about the taxpayer's situation, and be addressed to the Secretary of the Taxation and Revenue Department at P.O. Box 630, Santa Fe, NM 87504-0630. The taxpayer's representative, such as an accountant or attorney, may request a ruling on behalf of the taxpayer but must disclose the name of the taxpayer. While the department is not required to issue a ruling when requested to do so, every request is carefully considered.

The Department will not issue a ruling to a taxpayer who is undergoing an audit, who has an outstanding assessment, or who is involved in a protest or litigation with the Department over the subject matter of the request. The Secretary may modify or withdraw any previously issued ruling and is required to withdraw or modify any ruling when subsequent legislation, regulations, final court decisions or other rulings invalidate a ruling or portions of a ruling. Taxation and Revenue Department rulings are compiled and available on the Department's web page free of charge at <http://www.tax.newmexico.gov/rulings.aspx>.

Public Decisions & Orders. All public decisions and orders issued by the hearing officers since July 1994 are compiled and available on the department's web page free of charge at <http://www.tax.newmexico.gov/tax-decisions-orders.aspx>.

FOR FURTHER ASSISTANCE

Local tax offices can provide full service and information about the department's taxes, programs, and forms as well as specific information about your filing situation.

ALBUQUERQUE (505) 841-6200

Taxation and Revenue Department
5301 Central NE
P.O. Box 8485
Albuquerque, NM 87198-8485

LAS CRUCES (575) 524-6225

Taxation and Revenue Department
2540 S. El Paseo Bldg. #2
P.O. Box 607
Las Cruces, NM 88004-0607

SANTA FE (505) 827-0951

Taxation and Revenue Department
1200 S. St. Francis Dr.
P.O. Box 5374
Santa Fe, NM 87502-5374

ROSWELL (575) 624-6065

Taxation and Revenue Department
400 Pennsylvania Ave., Suite 200
P.O. Box 1557
Roswell, NM 88202-1557

FARMINGTON (505) 325-5049

Taxation and Revenue Department
3501 E. Main St., Suite N
P.O. Box 479
Farmington, NM 87499-0479

Main switchboard (Santa Fe): (505) 827-0700

ECONOMIC DEVELOPMENT DEPARTMENT

1100 S. St. Francis Drive
Santa Fe, NM 87503

Business Facility Rehabilitation Credit

Enterprise Zone Information

Telephone: (505) 827-0089 or (505) 827-1734

Film Production Tax Credit

418 Montezuma Avenue

Santa Fe, NM 87501

Telephone: (505) 476-5600 or (800) 545-9871

Rural Jobs Tax Credit and High-Wage Job Tax Credit (JTIP assistance)

Telephone: (505) 827-0300 or (800) 374-3061

FAX: (505) 827-0407

www.edd.state.us

Cultural Property Preservation Credit

State Coordinator of New Mexico Arts and Cultural Districts

(505) 827-0168

Rich.williams@state.nm.us

ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

1220 S. St. Francis Drive
Santa Fe, NM 87505

Renewable Energy Production Credit

Energy Conservation and Management Division

P.O. Box 6429

Santa Fe, NM 87504-6429

Telephone: (505) 476-3319

www.cleanenergynm.org

Land Conservation Incentives Tax Credit

Forestry Division

Telephone: (505) 476-3272

www.emnrd.state.nm/fd/index.htm

Solar Market Development Income Tax Credit

Energy Conservation and Management Division

Telephone: (505) 476-3318

www.cleanenergynm.org

Sustainable Building Tax Credit

Energy Conservation and Management Division

Telephone: (505) 476-3320

www.cleanenergynm.org

Biodiesel Blending Facility Tax Credit

Energy Conservation and Management

Telephone: (505) 476-3314

Colinj.messer@state.nm.us

Geothermal Ground-coupled Heat Pump Tax Credit

Energy Conservation and Management Division

Telephone: (505) 476-3372

www.cleanenergynm.org

Agricultural Biomass Tax Credit

Energy Conservation and Management Division

Telephone: (505) 476-3314

www.emnrd.state.nm.us/ecmd/

ENVIRONMENT DEPARTMENT

Advanced Energy Tax Credit

Permit Programs Manager
NMED Air Quality Bureau
1301 Siler Road, Bldg. B
Santa Fe, NM 87507-3113
Telephone: (505) 476-4334

DEPARTMENT OF CULTURAL AFFAIRS

Historic Preservation Division
Bataan Memorial Building
407 Galisteo Street, Suite 236
Santa Fe, NM 87501

Cultural Property Preservation Credit

Telephone: (505) 827-6320

MORTGAGE FINANCE AUTHORITY

344 4th St. SW

Albuquerque, NM 87102

Affordable Housing Tax Credit

Telephone: (505) 843-6880
(800) 444-6880 (toll free)

SOIL AND WATER CONSERVATION DISTRICT

Agricultural Water Conservation Tax Credit

www.nmda.nmsu.edu/?s=soil+and+water+conservation+district

Telephone: (575) 646-2642

DEPARTMENT OF HEALTH

Rural Health Care Practitioner Tax Credit

300 San Mateo NE, Suite 900
Albuquerque, New Mexico 87108
www.health.state.nm.us
Telephone: (575) 222-8672

This publication provides general information. It does not constitute a regulation, ruling, or decision issued by the Secretary of the New Mexico Taxation and Revenue Department. The Department is legally bound only by a regulation or a ruling [7-1-60, New Mexico Statutes Annotated, 1978]. In the event of a conflict between FYI and statute, regulation, case law or policy, the information in FYI's is overridden by statutes, regulations and case law. Taxpayers and preparers are responsible for being aware of New Mexico tax laws and rules. Consult the Department directly if you have questions or concerns about information provided in this FYI.